

Condensed Consolidated Interim Financial Statements
(In Canadian dollars)

**NORTHWEST HEALTHCARE
PROPERTIES REAL ESTATE
INVESTMENT TRUST**

Three months ended June 30, 2011 and 2010 and
six months ended June 30, 2011 and period from
March 25, 2010 to June 30, 2010
(Unaudited)

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Balance Sheets
(In Canadian dollars)
(Unaudited)

	June 30, 2011	December 31, 2010
Assets		
Investment properties (note 4)	\$ 892,755,524	\$ 671,033,290
Goodwill (note 5)	4,457,894	4,457,894
Accounts receivable (note 6)	3,970,414	4,537,725
Other assets (note 7)	7,019,804	10,110,599
Restricted cash (note 8)	175,000	175,000
Cash and cash equivalents (note 9)	455,973	46,311,722
	\$ 908,834,609	\$ 736,626,230

Liabilities and Equity

Liabilities:		
Mortgages payable (note 10)	\$ 443,454,908	\$ 372,051,861
Class B exchangeable units (note 12)	92,552,989	89,787,921
Accounts payable and accrued liabilities	14,855,951	13,646,227
Distributions payable	2,336,108	1,839,145
	553,199,956	477,325,154
Unitholders' equity	355,634,653	259,301,076
	\$ 908,834,609	\$ 736,626,230

See accompanying notes to condensed consolidated interim financial statements.

The condensed consolidated interim financial statements were approved by the Board on August 10, 2011 and signed on its behalf by:

"Michael Knowlton" _____ Trustee

"Peter Rigglin" _____ Trustee

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Income and Comprehensive Income
(In Canadian dollars)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	Period from March 25, 2010 to June 30, 2010
	2011	2010	2011	
Revenue from operations (note 17)	\$ 28,883,904	\$ 19,369,655	\$ 55,985,631	\$ 20,905,377
Property operating expenses (note 17)	12,708,519	8,473,558	25,158,759	9,175,827
Operating income	16,175,385	10,896,097	30,826,872	11,729,550
Finance cost (note 18)	5,493,516	4,296,796	11,417,856	4,632,772
Interest income	(12,737)	–	(48,402)	–
Trust expenses	732,645	429,598	1,596,910	458,434
Income before undernoted items	9,961,961	6,169,703	17,860,508	6,638,344
Finance cost - Class B exchangeable unit distributions (note 18)	(1,536,226)	(1,666,705)	(3,072,452)	(1,666,705)
Finance cost - fair value adjustment of Class B exchangeable units (notes 12 and 18)	(1,228,919)	(6,587,306)	(2,765,068)	(8,912,238)
Fair value adjustment of investment properties (note 4)	9,252,977	–	13,798,036	–
Net income (loss) and comprehensive income (loss)	\$ 16,449,793	\$ (2,084,308)	\$ 25,821,024	\$ (3,940,599)

See accompanying notes to condensed consolidated interim financial statements.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statement of Unitholders' Equity
(In Canadian dollars)

Six months ended June 30, 2011
(Unaudited)

	Unit capital	Retained earnings	Total
Unitholders' equity, beginning of period	\$ 256,706,143	\$ 2,594,933	\$ 259,301,076
Public offering, net of costs	82,439,772	–	82,439,772
Total comprehensive income	–	25,821,024	25,821,024
Distributions	(13,021,480)	–	(13,021,480)
Distribution reinvestment plan (note 13(b))	1,094,261	–	1,094,261
Unitholders' equity, end of period	\$ 327,218,696	\$ 28,415,957	\$ 355,634,653

Distributions per unit during the six months ended June 30, 2011 - \$0.40.

See accompanying notes to condensed consolidated interim financial statements.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statement of Unitholders' Equity
(In Canadian dollars)

Period from March 25, 2010 to June 30, 2010
(Unaudited)

	Unit capital	Deficit	Total
Unitholders' equity, beginning of period	\$ —	\$ —	\$ —
Public offering, net of costs	171,852,931	—	171,852,931
Total comprehensive loss	—	(3,940,599)	(3,940,599)
Distributions	(4,032,468)	—	(4,032,468)
Unitholders' equity, end of period	\$ 167,820,463	\$ (3,940,599)	\$ 163,879,864

Distributions per unit during the period from March 25, 2010 to June 30, 2010 - \$0.215.

See accompanying notes to condensed consolidated interim financial statements.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Cash Flows
(In Canadian dollars)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	Period from March 25, 2010 to June 30, 2010
	2011	2010	2011	2010
Operating activities:				
Net income (loss)	\$ 16,449,793	\$ (2,084,308)	\$ 25,821,024	\$ (3,940,599)
Adjustments for:				
Finance cost	8,258,661	12,550,807	17,255,376	15,211,715
Interest income	(12,737)	–	(48,402)	–
Fair value adjustment of investment properties	(9,252,977)	–	(13,798,036)	–
Change in non-cash operating items (note 20)	385,650	(5,332,180)	(3,112,142)	(7,035,760)
Cash generated from operating activities	15,828,390	5,134,319	26,117,820	4,235,356
Interest paid	(5,535,801)	(4,318,402)	(11,225,536)	(4,656,035)
Interest paid - Class B exchangeable units	(1,536,226)	(1,150,028)	(3,072,452)	(1,150,028)
Interest received	12,737	–	48,402	–
Net cash from (used in) operating activities	8,769,100	(334,111)	11,868,234	(1,570,707)
Investing activities:				
Acquisition of a business (note 3)	–	–	–	(105,624,502)
Acquisition of investment properties (note 3)	(32,075,621)	(315,138)	(190,159,387)	(315,138)
Additions to investment properties (note 4)	(2,317,553)	(3,138,808)	(3,959,204)	(3,138,808)
Deposits on investment properties under contract	(250,000)	(540,000)	5,599,790	(550,000)
Net cash used in investing activities	(34,643,174)	(3,993,946)	(188,518,801)	(109,628,448)
Financing activities:				
Proceeds from issuance of units, net of issue costs	–	11,657,046	82,442,580	171,852,931
Distributions	(6,438,045)	(2,782,406)	(11,430,255)	(2,782,406)
Mortgage advances	100,000,000	–	104,275,000	–
Repayment of mortgages	(40,423,904)	(1,470,529)	(43,714,369)	(49,215,096)
Secured credit facility advance	1,500,000	–	31,500,000	–
Secured credit facility repayment	(31,500,000)	–	(31,500,000)	–
Secured interim bridge facility advances	–	–	95,000,000	–
Repayment of interim bridge facility	(15,000,000)	–	(95,000,000)	–
Repayment of acquired bank indebtedness	–	–	–	(2,787,672)
Transaction costs	(275,099)	(924)	(778,138)	(529,241)
Net cash from financing activities	7,862,952	7,403,187	130,794,818	116,538,516
Increase (decrease) in cash and cash equivalents	(18,011,122)	3,075,130	(45,855,749)	5,339,361
Cash and cash equivalents, beginning of period	18,467,095	2,264,231	46,311,722	–
Cash and cash equivalents, end of period (note 9)	\$ 455,973	\$ 5,339,361	\$ 455,973	\$ 5,339,361

See accompanying notes to condensed consolidated interim financial statements.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements
(In Canadian dollars)

Three months ended June 30, 2011 and 2010 and six months ended June 30, 2011
and period from March 25, 2010 to June 30, 2010
(Unaudited)

NorthWest Healthcare Properties Real Estate Investment Trust (the "REIT") is an unincorporated open-ended real estate investment trust created pursuant to the Declaration of Trust dated January 1, 2010, as amended on March 25, 2010. The REIT commenced operations on March 25, 2010 when it issued units for cash pursuant to an initial public offering (the "IPO") and acquired a portfolio of 45 buildings or health care real estate commercial properties (note 3). The REIT invests primarily in real properties operated as medical offices in Canada.

1. **Statement of compliance:**

(a) Statement of compliance:

The condensed consolidated interim financial statements of the REIT have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") expected to be applicable as at December 31, 2011 and with International Accounting Standards ("IAS") 34, Interim Financial Reporting. These are condensed consolidated interim financial statements for part of the period covered by the first IFRS annual financial statements, and IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1") has been applied. The condensed consolidated interim financial statements do not include all the information required for full annual financial statements.

The disclosures required by IFRS 1 concerning the transition from Canadian generally accepted accounting principles ("Canadian GAAP") to IFRS are given in note 23. The REIT commenced operations on March 25, 2010 and the date of transition to IFRS is March 25, 2010 (the "Transition Date"). Note 23 includes reconciliations of equity and total comprehensive income for comparative periods reported under Canadian GAAP to amounts reported under IFRS.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In Canadian dollars)

Three months ended June 30, 2011 and 2010 and six months ended June 30, 2011
and period from March 25, 2010 to June 30, 2010
(Unaudited)

1. Statement of compliance (continued):

(b) Basis of measurement:

The preparation of these condensed consolidated interim financial statements is based on accounting policies and practices in accordance with IFRS and should not be compared to those used in the preparation of the audited annual consolidated financial statements, as the annual consolidated financial statements were prepared under accounting policies and practices in accordance with Canadian GAAP. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the notes to the REIT's audited consolidated financial statements for the year ended December 31, 2010, since they do not contain all disclosures required by IFRS for annual financial statements. These unaudited condensed consolidated interim financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for investment properties and the Class B exchangeable units which are stated at fair value.

The condensed consolidated interim financial statements are presented in Canadian dollars.

(c) Significant judgements and key estimates:

The following are significant judgements and key estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period:

(i) Leases (the REIT as lessor):

The REIT uses judgement in assessing its leases with tenants as operating leases, in particular with long-term leases in single tenant properties. The REIT has determined that all its leases are operating leases.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In Canadian dollars)

Three months ended June 30, 2011 and 2010 and six months ended June 30, 2011
and period from March 25, 2010 to June 30, 2010
(Unaudited)

1. Statement of compliance (continued):

(ii) Property valuations:

Investment properties, which are carried on the condensed consolidated interim balance sheets at fair value, are valued by qualified external valuation professionals or management.

The valuations are based on a number of assumptions, such as appropriate discount rates and estimates of future rental income, operating expenses and capital expenditures. The valuation of investment properties is one of the principal estimates and uncertainties of the REIT.

(iii) Accounting for acquisitions:

Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment impacts the treatment of transaction costs, the allocation of the cost of the acquisition and whether or not goodwill is recognized. With the exception of the acquisition of the portfolio of 45 properties acquired at the time of the REIT's IPO, which was determined to be a business combination, the REIT's acquisitions are generally determined to be asset purchases as the REIT does not acquire an integrated set of processes as part of the transaction.

(iv) Goodwill:

Estimates are used when testing goodwill for impairment.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In Canadian dollars)

Three months ended June 30, 2011 and 2010 and six months ended June 30, 2011
and period from March 25, 2010 to June 30, 2010
(Unaudited)

1. Statement of compliance (continued):

(v) Income taxes:

The REIT is a mutual fund trust and a real estate investment trust pursuant to the Income Tax Act (Canada). Under current tax legislation, the REIT is not liable to pay Canadian income tax provided that its taxable income is fully distributed to unitholders each year. The REIT is a real estate investment trust if it meets prescribed conditions under the Income Tax Act (Canada) relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT has reviewed the REIT Conditions and has assessed their interpretation and application to the REIT's assets and revenue, and it has determined that it qualifies as a real estate investment trust for the period.

2. Significant accounting policies:

(a) Basis of consolidation:

The condensed consolidated interim financial statements include the accounts of the REIT and its consolidated subsidiaries which are the entities over which the REIT has control. Control exists when the REIT has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the REIT obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the REIT, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and distributions are eliminated in full.

(b) Investment properties:

Investment properties include medical office properties that are held to earn rental income and properties that are being developed or constructed for use as investment properties. They are recorded initially at cost and, subsequently, at fair value with changes in fair value recognized in the condensed consolidated interim statements of comprehensive income in the period in which they arise.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In Canadian dollars)

Three months ended June 30, 2011 and 2010 and six months ended June 30, 2011
and period from March 25, 2010 to June 30, 2010
(Unaudited)

2. Significant accounting policies (continued):

Subsequent capital expenditures are added to the carrying value of investment property only when it is probable that future economic benefits of the expenditure will flow to the REIT and the cost can be measured reliably.

Leasing costs incurred by the REIT that are incremental and directly attributable to negotiating and arranging tenant leases are added to the carrying value of investment properties.

Leasing costs that are not incremental are expensed in the period incurred.

(c) Goodwill:

The REIT measures goodwill arising in a business combination at the acquisition date as the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Where the fair value of net assets acquired in a business combination exceeds the cost, the excess, known as negative goodwill, is recognized immediately in the condensed consolidated interim statements of comprehensive income.

For the purposes of goodwill impairment testing, goodwill acquired in business combination is allocated to the group of assets or cash generating units ("CGUs"), that are expected to benefit from the synergies of the combination. This allocation reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

Goodwill is reviewed for impairment at least annually, and the recoverable amount of the CGU (or group of CGUs) containing goodwill is estimated each year at the same time. The recoverable amount of a CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of the CGU exceeds its estimated recoverable amount. Any impairment loss is recognized immediately in the condensed consolidated interim statements of comprehensive income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis. An impairment loss is not subsequently reversed.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In Canadian dollars)

Three months ended June 30, 2011 and 2010 and six months ended June 30, 2011
and period from March 25, 2010 to June 30, 2010
(Unaudited)

2. Significant accounting policies (continued):

(d) Cash and cash equivalents:

Cash and cash equivalents include unrestricted cash and short-term investments. Short-term investments, comprising money market instruments, have a maturity of 90 days or less at their date of purchase and are stated at cost, which approximates net realizable value.

(e) Revenue recognition:

(i) Revenue from investment properties:

Revenue from investment properties includes realty tax and operating cost recoveries, parking and other incidental income. Realty tax and operating cost recoveries are recognized in the period in which the recoverable costs are charged to the tenant. Parking and other incidental income are recognized at the time the service is provided.

As a lessor, the REIT has retained the risks and benefits of its investment properties and assessed its leases with tenants as operating leases.

Certain leases call for rental payments that vary significantly over their term due to changes in rates or rent inducements granted to tenants. The rental revenue from these leases is recorded on a straight-line basis, resulting in accruals for rent that are not billable or due until future years. These straight-line rent amounts are recorded as accrued rent receivable and form a component of investment property.

(ii) Management fees:

Property management fees are recognized at the time the service is provided.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In Canadian dollars)

Three months ended June 30, 2011 and 2010 and six months ended June 30, 2011
and period from March 25, 2010 to June 30, 2010
(Unaudited)

2. Significant accounting policies (continued):

(f) Leasing costs:

Payments to tenants under lease contracts are characterized as either tenant improvements, which enhance the value of the property, or lease inducements. When the obligation is determined to be a tenant improvement, the REIT is considered to have acquired an asset. Accordingly, the tenant improvements are capitalized as part of investment property. When the obligation is determined to be a lease inducement, the amount is recognized as an asset which forms a component of investment property and is deferred and amortized over the term of the lease as a reduction of revenue.

(g) Employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or deferred unit plan.

(h) Unit-based compensation:

The REIT uses the fair value-based method of accounting for its equity awards, under which compensation expense is measured at the grant date and recognized over the vesting period. Unit-based compensation does not qualify as an equity award and is classified as liability. The awards are fair valued every reporting period and the change in fair value recognized as compensation expense.

(i) Income taxes:

The REIT is a mutual fund trust and a real estate investment trust pursuant to the Income Tax Act (Canada). Under current tax legislation, the REIT is not liable to pay Canadian income tax provided that its taxable income is fully distributed to unitholders each year. The REIT intends to continue to qualify as a real estate investment trust and to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes. Accordingly, no current or deferred income taxes have been recorded in the condensed consolidated interim financial statements.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In Canadian dollars)

Three months ended June 30, 2011 and 2010 and six months ended June 30, 2011
and period from March 25, 2010 to June 30, 2010
(Unaudited)

2. Significant accounting policies (continued):

The REIT's corporate subsidiaries are subject to tax on their taxable income. Income taxes for corporate subsidiaries are accounted for using the asset and liability method, whereby deferred income tax assets and liabilities are determined based on the differences between the carrying amount of the balance sheet items and their corresponding tax values. Income tax are computed using enacted and substantively enacted corporate income tax rates for the years in which tax and accounting basis differences are expected to reverse. Adjustments to these balances are recognized in income as they occur.

(j) Class B exchangeable units:

The Class B exchangeable units of a subsidiary of the REIT are exchangeable into REIT units at the option of the holder. In accordance with IAS 32, Financial Instruments: Presentation, the Class B exchangeable units are considered puttable instruments and are required to be classified as financial liabilities. Further, the Class B exchangeable units are classified as fair value through profit or loss financial liabilities and are measured at fair value each reporting period with any changes in fair value recorded in profit or loss as finance costs. The distributions paid on the Class B exchangeable units are accounted for as a finance cost (note 18).

(k) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit and loss, (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale, or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at fair value through profit and loss are subsequently measured at fair value with gains and losses recognized in the condensed consolidated interim statements of comprehensive income. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income and presented in the fair value reserve in equity.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In Canadian dollars)

Three months ended June 30, 2011 and 2010 and six months ended June 30, 2011
and period from March 25, 2010 to June 30, 2010
(Unaudited)

2. Significant accounting policies (continued):

The REIT designated its restricted cash and cash and cash equivalents at fair value through profit and loss; accounts receivable, mortgage escrow, deposits on investment properties under contract and other deposits as loans and receivables; and mortgages payable, loans payable, accounts payable and other liabilities as other liabilities. The Class B exchangeable units are classified as fair value through profit and loss. The REIT has neither available-for-sale nor held-to-maturity instruments.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at fair value through profit and loss, are accounted for as part of the carrying amount of the respective asset or liability at inception.

Transaction costs on financial assets and liabilities measured at fair value through profit and loss are expensed in the period incurred.

Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

(l) Unit capital:

The REIT's units are considered liability instruments under IFRS because of the features inherent in the open-ended trust structure. However, the units are the most subordinate class of units and, therefore, may be presented as equity under IFRS. External costs directly attributable to the issue of new units are shown in unitholders' equity as a deduction from the proceeds.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In Canadian dollars)

Three months ended June 30, 2011 and 2010 and six months ended June 30, 2011
and period from March 25, 2010 to June 30, 2010
(Unaudited)

2. Significant accounting policies (continued):

(m) Future accounting changes:

- (i) The following new or amended IFRS have been issued by the International Accounting Standards Board ("IASB"): IFRS 7, Financial Instruments: Disclosures; IFRS 9, Financial Instruments; IFRS 10, Consolidated Financial Statements; IFRS 11, Joint Arrangements; and IFRS 13, Fair Value Measurements. The REIT is assessing the impact of these new standards, but does not expect them to have a significant effect on the condensed interim consolidated financial statements.
- (ii) The IASB has published some limited scope amendments to IAS 12, Income Taxes ("IAS 12"), which are relevant only when an entity uses the fair value model for measurement in IAS 40, Investment Property. Under IAS 12, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. To provide a practical approach in such cases, the amendment introduces a presumption that an investment property is recovered entirely through sale. This policy is effective for fiscal years after January 1, 2012; however, earlier adoption is permitted, including on transition to IFRS. The REIT has applied this policy effective March 25, 2010.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In Canadian dollars)

Three months ended June 30, 2011 and 2010 and six months ended June 30, 2011
and period from March 25, 2010 to June 30, 2010
(Unaudited)

3. Acquisitions:

(a) Acquisitions during the six months ended June 30, 2011:

During the six months ended June 30, 2011, the REIT acquired four investment properties for net cash consideration of \$190,159,387. The acquisitions of the investment properties, and related assets and liabilities have been accounted for as asset purchases. The net assets acquired were as follows:

Assets

Investment properties	\$ 203,301,311
Accounts receivable and other assets	161,454
	<hr/>
	203,462,765

Liabilities

Accounts payable and accrued liabilities	1,607,631
Assumed mortgages, including mark-to-market adjustment	11,695,747
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	13,303,378

Net assets acquired for cash	\$ 190,159,387
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NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In Canadian dollars)

Three months ended June 30, 2011 and 2010 and six months ended June 30, 2011
and period from March 25, 2010 to June 30, 2010
(Unaudited)

3. Acquisitions (continued):

(b) Acquisitions during the period from March 25, 2010 to December 31, 2010:

- (i) On March 25, 2010, subsidiaries of the REIT indirectly acquired from NorthWest Operating Trust ("NW Operating Trust") 45 commercial properties through its acquisition of Healthcare Properties LP ("HPLP") for a net purchase price of \$171,899,206. The net assets acquired have been accounted for as a business combination using the acquisition method of accounting. The fair value of consideration has been allocated to the identifiable assets acquired and liabilities assumed, based on their fair values at the date of acquisition, with the excess recognized as goodwill. The value of goodwill at the date of acquisition relates to the portfolio premium, attributed to acquiring an integrated portfolio in a single transaction, and the management platform that includes acquisitions, leasing, management, finance and accounting personnel systems. The net assets acquired are as follows:

Assets

Investment properties	\$ 538,390,331
Plant and equipment	305,020
Goodwill	4,457,894
Other assets	4,822,912
	547,976,157

Liabilities

Bank indebtedness	2,787,672
Assumed mortgages, including mark-to-market adjustments	358,487,430
Accounts payable and accrued liabilities	14,309,659
Unearned revenue	492,190
	376,076,951

Net assets acquired	\$ 171,899,206
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Consideration given indirectly by the REIT:

Class B exchangeable units of NHP Holdings Limited Partnership ("NHP") (note 12)	\$ 77,497,720
Cash	105,624,502
Due from NW Operating Trust	(11,223,016)

Total consideration paid	\$ 171,899,206
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NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In Canadian dollars)

Three months ended June 30, 2011 and 2010 and six months ended June 30, 2011
and period from March 25, 2010 to June 30, 2010
(Unaudited)

3. Acquisitions (continued):

The amount due from NW Operating Trust has been settled.

Immediately following the acquisition of HPLP, the REIT repaid \$47,744,567 of the assumed mortgages.

- (ii) During the period from March 25, 2010 to December 31, 2010, the REIT acquired five investment properties and two pieces of land adjacent to investment properties owned by the REIT for net consideration of \$66,780,084. Included in this amount is net consideration of \$28,831,278 related to the acquisition of one investment property and adjacent land from an affiliate of NW Operating Trust. The acquisition of investment properties and the related assets and liabilities have been recorded as asset purchases. The net assets acquired were as follows:

Assets	
Investment properties	\$ 121,652,060
Other assets	317,322
	121,969,382
Liabilities	
Bank indebtedness	3,115
Assumed mortgages, including mark-to-market adjustments	52,613,675
Account payable and accrued liabilities	2,572,508
	55,189,298
Net assets acquired	\$ 66,780,084
Consideration given by the REIT:	
REIT units	\$ 14,725,000
Cash	52,706,731
Due from NW Operating Trust (note 16)	(651,647)
Total consideration paid	\$ 66,780,084

The amount due from NW Operating Trust has been settled.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In Canadian dollars)

Three months ended June 30, 2011 and 2010 and six months ended June 30, 2011
and period from March 25, 2010 to June 30, 2010
(Unaudited)

4. Investment properties:

Balance, January 1, 2011	\$ 671,033,290
Acquisitions of investment properties	203,301,311
Additions (subsequent expenditure)	3,959,204
Increase in straight-line rents	663,683
Fair value adjustment	13,798,036
Balance, June 30, 2011	\$ 892,755,524
Balance, March 25, 2010	\$ —
Acquired in a business combination	538,390,331
Acquisitions of investment property	121,652,060
Additions (subsequent expenditure)	9,589,107
Increase in straight-line rents	568,550
Fair value adjustment	833,242
Balance, December 31, 2010	\$ 671,033,290

The REIT determined the fair value of each investment property using the discounted cash flow method. The discounted cash flow method discounts the expected future cash flows, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows.

The key valuation assumptions for the REIT's commercial properties are set out in the following table:

	June 30, 2011	December 31, 2010
Discount rates - range	7.4% - 11.0%	7.8% - 11.0%
Discount rate - weighted average	8.5%	8.9%
Terminal capitalization rate - range	6.4% - 10.3%	7.0% - 10.3%
Terminal capitalization rate - weighted average	7.9%	8.1%

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In Canadian dollars)

Three months ended June 30, 2011 and 2010 and six months ended June 30, 2011
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(Unaudited)

4. Investment properties (continued):

The discounted cash flows reflect rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

Commercial properties with an aggregate fair value of nil at June 30, 2011 (December 31, 2010 - nil; March 25, 2010 - nil) were valued by external valuation professionals with recognized and relevant professional qualification.

5. Goodwill:

Balance, June 30, 2011 and January 1, 2011	\$ 4,457,894
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Balance, March 25, 2010	\$ —
Arising on business combination	4,457,894

Balance, December 31, 2010	\$ 4,457,894
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NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In Canadian dollars)

Three months ended June 30, 2011 and 2010 and six months ended June 30, 2011
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(Unaudited)

6. Accounts receivable:

	June 30, 2011	December 31, 2010
Tenant and other receivables	\$ 2,150,400	\$ 2,842,486
Due from NW Operating Trust (note 16)	1,820,014	1,695,239
	\$ 3,970,414	\$ 4,537,725

7. Other assets:

	June 30, 2011	December 31, 2010
Prepaid expenses	\$ 3,694,569	\$ 1,394,981
Mortgage escrow	604,143	603,954
Deposits on investment properties under contract	1,400,210	7,000,000
Other deposits	818,912	815,116
Other	501,970	296,548
	\$ 7,019,804	\$ 10,110,599

8. Restricted cash:

Restricted cash represents an earn-out reserve, subject to meeting certain occupancy requirements, on a first mortgage on one of the REIT's properties.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
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9. Cash and cash equivalents:

	June 30, 2011	December 31, 2010
Cash at bank	\$ 455,973	\$ 2,740,352
Short-term deposits	–	43,571,370
	<u>\$ 455,973</u>	<u>\$ 46,311,722</u>

Short-term deposits consist of money market instruments and have a maturity of 90 days or less at their date of purchase.

10. Mortgages payable:

All mortgages are secured by first or second charges on specific investment properties and are repayable as follows:

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable
2011 remainder	\$ 4,846,871	\$ –	\$ 4,846,871
2012	9,917,041	10,028,231	19,945,272
2013	9,630,748	50,341,521	59,972,269
2014	8,485,291	57,574,686	66,059,977
2015	6,878,030	49,630,869	56,508,899
2016	6,289,542	94,029,878	100,319,420
2017 and thereafter	11,391,721	122,555,119	133,946,840
Face value	<u>\$ 57,439,244</u>	<u>\$ 384,160,304</u>	441,599,548
Mark-to-market adjustment			2,196,373
Unamortized financing costs			(341,013)
Carrying amount			<u>\$ 443,454,908</u>

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
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Three months ended June 30, 2011 and 2010 and six months ended June 30, 2011
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10. Mortgages payable (continued):

	June 30, 2011	December 31, 2010
Mortgages at fixed rates - face value	\$ 441,599,548	\$ 369,730,062
Mark-to-market adjustment	2,196,373	2,445,647
Unamortized financing costs	(341,013)	(123,848)
Carrying amount	\$ 443,454,908	\$ 372,051,861
Interest rates	3.40% - 6.53%	4.77% - 6.53%
Weighted average interest rate	5.30%	5.54%

11. Loans payable:

(a) Secured floating rate revolving credit facility:

The REIT has a floating rate revolving credit facility of \$35,000,000 which expires on March 25, 2013. The facility bears interest at banker's acceptance plus 2.75% or prime plus 1.75% and is secured by certain investment properties and the terms of a general security agreement. As at June 30, 2011, there was a nil outstanding balance on the credit facility. Unamortized financing costs of \$125,484 related to the credit facility are included in prepaid expenses as at June 30, 2011.

The credit facility was renegotiated and extended during the three months ended March 31, 2011. Prior to the extension, the credit facility of \$35,000,000 bore interest at banker's acceptance rate plus 3.5% or prime plus 2.5% and expired on March 25, 2011. As at December 31, 2010, there was nil outstanding balance on the credit facility. Unamortized financing costs of \$125,113 related to the credit facility are included in prepaid expenses as at December 31, 2010.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
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Three months ended June 30, 2011 and 2010 and six months ended June 30, 2011
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11. Loans payable (continued):

(b) Senior secured interim bridge facility:

During the three months ended March 31, 2011, the REIT had obtained an \$85 million non-revolving senior secured interim bridge facility to fund the acquisition of certain investment properties. The interim bridge facility bore interest at the banker's acceptance rate plus 3.5% or prime plus 2.5% and was secured by certain acquired properties. During the three months ended March 31, 2011, the REIT repaid \$80 million of the facility. The interim bridge facility was then amended such that the total commitment was reduced to \$15 million and the lender re-advanced \$10 million. During the three months ended June 30, 2011, the REIT repaid \$15 million of the facility. As at June 30, 2011, there was no outstanding balance on the secured bridge facility, net of unamortized financing costs of nil.

12. Class B exchangeable units:

Each Class B exchangeable unit of NHP, a subsidiary of the REIT, is exchangeable into one unit of the REIT. These exchangeable Class B exchangeable units are economically equivalent to REIT units and are entitled only to receive distributions equal to those provided to holders of REIT units.

Class B exchangeable units outstanding:

	Units	Amount
Units issued, January 1, 2011	7,680,746	\$ 89,787,921
Fair value adjustment of Class B exchangeable units		2,765,068
Class B exchangeable units issued, June 30, 2011		\$ 92,552,989

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
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12. Class B exchangeable units (continued):

	Units	Amount
Class B exchangeable units issued, March 25, 2010	–	\$ –
Class B exchangeable units of NHP issued	7,749,772	77,497,720
Fair value adjustment of Class B exchangeable units	–	13,083,309
Class B exchangeable units exchanged for REIT units	(69,026)	(793,108)
Units issued, December 31, 2010	7,680,746	\$ 89,787,921

During the six months ended June 30, 2011, the REIT recognized \$3,072,452 (period from March 25, 2010 to June 30, 2010 - \$1,666,705) of distributions declared on Class B exchangeable units as finance cost.

13. Unitholders' capital:

The REIT is authorized to issue two categories of equity: (a) REIT units of the REIT; and (b) special voting units attached to the exchangeable Class B exchangeable units of NHP, a subsidiary of the REIT.

The REIT is authorized to issue an unlimited number of REIT units without par value. Each unit represents a single vote at any meeting of unitholders and entitles the unitholder to receive a pro rata share of all distributions. The unitholders have the right to require the REIT to redeem their units on demand. Upon receipt of the redemption notice by the REIT, all rights to and under the units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per unit ("Redemption Price"), as determined by a market formula.

The Redemption Price will be paid in accordance with the conditions provided for in the Declaration of Trust.

The special voting units are only issued in tandem with Class B exchangeable units and are not transferable separately from the Class B exchangeable units to which they are attached. As Class B exchangeable units are exchanged or surrendered for REIT units, the corresponding special voting units will be cancelled for no consideration. Special voting units have no economic entitlement in the REIT, but entitle the holder to one vote per special voting unit at any meeting of the unitholders.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In Canadian dollars)

Three months ended June 30, 2011 and 2010 and six months ended June 30, 2011
and period from March 25, 2010 to June 30, 2010
(Unaudited)

13. Unitholders' capital (continued):

The REIT's Trustees have discretion in declaring distributions.

(a) Units outstanding:

	Units	Amount
Units issued, January 1, 2011	27,585,791	\$ 269,759,615
Follow-on equity offering	6,400,000	75,200,000
Follow-on equity offering over-allotment option	960,000	11,280,000
Distribution reinvestment plan	94,071	1,094,261
Units issued	35,039,862	357,333,876
Less issue costs	–	4,040,228
Units issued, June 30, 2011	35,039,862	\$ 353,293,648
	Units	Amount
Units issued, March 25, 2010	–	\$ –
Issuance of units through initial public offering	17,500,000	175,000,000
Issuance of units over-allotment option	1,250,000	12,500,000
Follow-on equity offering	6,495,000	75,017,250
Follow-on equity offering over-allotment option	974,250	11,252,588
Units issued on acquisition of investment property	1,274,891	14,725,000
Units issued on exchange of Class B exchangeable units	69,026	793,108
Distribution reinvestment plan	22,624	253,035
Units issued	27,585,791	289,540,981
Less issue costs	–	19,781,366
Units issued, December 31, 2010	27,585,791	\$ 269,759,615

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In Canadian dollars)

Three months ended June 30, 2011 and 2010 and six months ended June 30, 2011
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13. Unitholders' capital (continued):

(b) Distribution reinvestment plan:

The REIT has established a distribution reinvestment plan for its unitholders, which allows participants to reinvest their monthly cash distributions in additional units at an effective discount of 3%.

14. Deferred unit plan:

In order to align the interest between the Trustees and certain officers of the REIT, there may be grants of deferred units under the deferred unit plan. Under the plan, the maximum number of units authorized for issuance shall not exceed 5% of the units issued and outstanding at any given time. The deferred units vest as follows:

- (a) 50% of the deferred units on the third anniversary of the award date;
- (b) 25% of the deferred units on the fourth anniversary of the award date; and
- (c) 25% of the deferred units on the fifth anniversary of the award date.

For the six months ended June 30, 2011, 49,122 units were granted under the deferred unit plan at an average unit price of \$11.74. For the period from March 25, 2010 to June 30, 2010, there were 3,808 units granted under the deferred unit plan at an average unit price of \$11.03.

The deferred units can be settled at the holders' option in equity or cash and are treated as a liability until redeemed.

The liability for deferred units at fair value based on the closing price of the REIT unit on the condensed consolidated interim balance sheet dates is \$301,094 and \$69,732 as at June 30, 2011 and December 31, 2010, respectively.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In Canadian dollars)

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15. Segment disclosure:

All of the REIT's assets and liabilities are in, and its revenue derived from, the Canadian real estate industry segment. No single tenant accounts for 10% or more of the REIT's rental revenue.

16. Transactions with related parties:

The condensed consolidated interim financial statements as at June 30, 2011 include the accounts of the REIT and all its subsidiaries. The significant subsidiaries of the REIT are listed below and are wholly owned unless otherwise noted:

NHP Holdings Limited Partnership
NHP Holdings Inc.
Healthcare Properties Limited Partnership
Healthcare Properties Holdings Ltd.
1201 Glenmore Limited Partnership
1201 Glenmore GP Inc.
2675 St. NE (Sunridge) Limited Partnership
2675 St. NE (Sunridge) GP Inc.
NorthWest Healthcare Properties Corporation
NWH (Tawa) GP Inc.
NWH (Tawa) LP

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In Canadian dollars)

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16. Transactions with related parties (continued):

The REIT is the ultimate Canadian parent entity.

	Three months ended June 30,		Six months ended June 30,	Period from March 25, 2010 to June 30, 2010
	2011	2010	2011	
Related party transactions and balances:				
Minimum rent, operating cost recoveries parking income (included in revenue)	\$ 919,870	\$ 1,130,838	\$ 1,961,451	\$ 1,214,023
Fee income and cost recovery (included in revenue)	51,909	214,592	258,033	228,740
Cost recovery (offset against operating expenses and trust expenses)	43,496	130,090	102,700	130,090
Head office rent expense (included in operating expenses and trust expenses)	102,227	109,922	204,454	109,922
Leasing costs	15,740	448,540	2,199,488	448,540
Accounts receivable, end of period	1,820,014	13,845,097	1,820,014	13,845,097

Accounts receivable at the end of period include nil and \$13,214,016 related to the working capital adjustments on acquisitions from NW Operating Trust (note 3) for June 30, 2011 and June 30, 2010. These amounts have been settled in full.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In Canadian dollars)

Three months ended June 30, 2011 and 2010 and six months ended June 30, 2011
and period from March 25, 2010 to June 30, 2010
(Unaudited)

17. Property operations:

The components of revenue are as follows:

	Three months ended June 30,		Six months ended June 30,	Period from March 25, 2010 to June 30, 2010
	2011	2010	2011	
Revenue from investment properties	\$ 28,831,995	\$ 19,155,063	\$ 55,727,598	\$ 20,676,637
Management fee revenue	51,909	214,592	258,033	228,740
Revenue from operations	\$ 28,883,904	\$ 19,369,655	\$ 55,985,631	\$ 20,905,377

The REIT generally leases investment properties under operating leases with lease terms between 5 and 10 years, with options to extend up to a further 5 years.

Property operating expenses include ground lease expense for the three months and six months ended June 30, 2011 of \$56,250 and \$112,500 (three months ended June 30, 2010 and period from March 25, 2010 to June 30, 2010 - \$56,250 and \$60,625), respectively, representing rent expense associated with an operating lease for land on which one of the REIT's properties is situated. The ground lease expires on June 30, 2036, with monthly payments of \$18,750.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
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Three months ended June 30, 2011 and 2010 and six months ended June 30, 2011
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(Unaudited)

18. Finance cost:

	Three months ended June 30,		Six months ended June 30,	Period from March 25, 2010 to June 30, 2010
	2011	2010	2011	
Interest on fixed rate debt	\$ 5,435,180	\$ 4,239,263	\$ 10,507,156	\$ 4,570,587
Interest on floating rate debt	270,410	79,139	986,264	85,448
Amortization of debt premiums	(273,089)	(153,685)	(641,466)	(165,474)
Amortization of transaction costs	61,015	132,079	565,902	142,211
	5,493,516	4,296,796	11,417,856	4,632,772
Distributions on Class B exchangeable units	1,536,226	1,666,705	3,072,452	1,666,705
Fair value adjustment of Class B exchangeable units	1,228,919	6,587,306	2,765,068	8,912,238
	\$ 8,258,661	\$ 12,550,807	\$ 17,255,376	\$ 15,211,715

19. Commitments and contingencies:

- (a) The REIT has entered into fixed-price utility contracts with a third-party supplier in the amount of \$1,183,057 to provide electricity and gas for its own use at its investment properties.
- (b) The REIT entered into an agreement related to the acquisition of one of the investment properties where it has agreed to pay the original vendor an additional \$700,000 plus accrued interest upon obtaining municipal approval to introduce paid parking within a period of five years from the closing date.
- (c) The REIT is involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, any liability that may arise from such contingencies would not have a significant adverse effect on the condensed consolidated interim financial statements.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
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19. Commitments and contingencies (continued):

- (d) The REIT has entered into a purchase and sale agreement with a vendor to acquire a property for \$11 million which was acquired on July 22, 2011.
- (e) As part of the purchase and sale agreement with an affiliate of NW Operating Trust related to the acquisition of an investment property, the REIT agreed that in the event a development agreement is not achieved with NW Operating Trust, the REIT would sever and sell the development land portion of the investment property to NW Operating Trust for \$2,950,000.

20. Change in non-cash operating items:

	Three months ended		Six months	Period from
	June 30,		ended	March 25,
	2011	2010	June 30,	2010 to
			2011	June 30,
				2010
Decrease (increase) in accounts receivable	\$ 4,700,674	\$ (2,072,702)	\$ 660,829	\$ (1,922,347)
Increase in straight-line rents	(298,975)	(174,524)	(663,684)	(185,868)
Increase in other assets, excluding deposits	(1,567,123)	(1,108,430)	(2,440,688)	(1,143,204)
Decrease in accounts payable and accrued liabilities	(2,448,926)	(1,976,524)	(668,599)	(3,784,341)
	\$ 385,650	\$ (5,332,180)	\$ (3,112,142)	\$ (7,035,760)

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
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21. Fair values:

The fair values of the REIT's financial assets, which include accounts receivable, mortgage escrow, deposits, restricted cash and cash and cash equivalents, as well as financial liabilities, which include accounts payable and accrued liabilities, approximate their recorded fair values due to their short-term nature.

The fair values of the REIT's mortgages payable at June 30, 2011 is \$454,041,091. The fair values have been estimated based on the current market rates for mortgages with similar terms and conditions.

The REIT's Class B exchangeable units are carried at fair value and the fair value of the Class B exchangeable units has been determined with reference to the trading price of the REIT's units on the condensed consolidated interim balance sheet dates.

22. Subsequent events:

During the period from July 1, 2011 to August 11, 2011, the REIT declared distributions of \$0.0667 per unit or \$2.3 million.

Subsequent to the quarter end, the REIT arranged a \$35 million nine-year fixed rate mortgage financing at 4.55% secured by one of its investment properties.

Subsequent to the quarter end, the REIT entered into a commitment to increase a mortgage on one of its properties from \$11.3 million to \$16 million and extend the term to 2018 at a reduced interest rate.

On July 22, 2011, the REIT acquired one investment property for \$11 million using proceeds from a draw on the secured floating rate revolving credit facility.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
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23. Explanation of transition to IFRS:

As stated in note 1, these are condensed consolidated interim financial statements for part of the period covered by the first IFRS annual consolidated financial statements prepared in accordance with IFRS. The accounting policies adopted under IFRS have been applied in preparing the condensed consolidated interim financial statements for the three months and six months ended June 30, 2011, the comparative information for the three months ended June 30, 2010 and period from March 25, 2010 to June 30, 2010, the financial statements for the year ended December 31, 2010, and the preparation of an opening IFRS balance sheet at March 25, 2010. The REIT commenced operations on March 25, 2010 and the Transition Date to IFRS is March 25, 2010. However, since the REIT had no assets or liabilities on March 25, 2010, a reconciliation between IFRS and Canadian GAAP has not been presented as at that date.

The REIT's IFRS adoption date is January 1, 2011. The REIT has adjusted amounts previously reported in financial statements and interim reports prepared in accordance with its previous basis of accounting, Canadian GAAP.

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
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23. Explanation of transition to IFRS (continued):

An explanation of how the transition from Canadian GAAP to IFRS has affected the REIT's financial position and performance is set out in the tables below and the notes accompanying them.

Reconciliation of equity as at June 30, 2010:

Canadian GAAP presentation	Note	Canadian GAAP	IFRS adjustments	IFRS	IFRS presentation
Assets					
Income-producing properties	(a)	\$ 482,518,466	\$ 59,515,846	\$ 542,034,312	Investment properties
Goodwill and intangible assets	(a)	66,569,431	(62,111,537)	4,457,894	Goodwill
Due from related party	(d)	13,214,016	(13,214,016)	–	
Accounts receivable	(a) (d)	1,792,204	13,028,148	14,820,352	Accounts receivable
Leasing costs	(a) (c)	1,756,049	(1,756,049)	–	
Other assets	(a) (d)	4,514,452	456,695	4,971,147	Other assets
Restricted cash		175,000	–	175,000	Restricted cash
Cash and cash equivalents		5,339,361	–	5,339,361	Cash and cash equivalents
		\$ 575,878,979	\$ (4,080,913)	\$ 571,798,066	
Liabilities and Unitholders' Equity					
Mortgages payable	(b)	\$ 308,430,660	\$ 289,171	\$ 308,719,831	Mortgages payable
		–	86,409,958	86,409,958	Class B exchangeable units
Accounts payable and accrued liabilities	(b) (d)	11,000,678	537,673	11,538,351	Accounts payable and accrued liabilities
Below-market leases	(a) (d)	10,099,046	(10,099,046)	–	
Distribution payable		1,766,739	(516,677)	1,250,062	
		331,297,123	76,621,079	407,918,202	
Unitholders' equity	(a) (b) (c)	244,581,856	(80,701,992)	163,879,864	Unitholders' equity
		\$ 575,878,979	\$ (4,080,913)	\$ 571,798,066	

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
(In Canadian dollars)

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(Unaudited)

23. Explanation of transition to IFRS (continued):

Reconciliation of equity as at December 31, 2010:

Canadian GAAP presentation	Note	Canadian GAAP	IFRS adjustments	IFRS	IFRS presentation
Assets					
Income-producing properties	(a)	\$ 584,479,525	\$ 86,553,765	\$ 671,033,290	Investment properties
Goodwill and intangible assets	(a)	72,343,718	(67,885,824)	4,457,894	Goodwill
Accounts receivable	(a)	5,106,275	(568,550)	4,537,725	Accounts receivable
Leasing costs	(a) (c)	6,501,046	(6,501,046)	–	
Other assets	(a)	9,814,051	296,548	10,110,599	Other assets
Restricted cash		175,000	–	175,000	Restricted cash
Cash and cash equivalents		46,311,722	–	46,311,722	Cash and cash equivalents
		\$ 724,731,337	\$ 11,894,893	\$ 736,626,230	
Liabilities and Unitholders' Equity					
Mortgages payable	(b)	\$ 372,051,861	\$ –	\$ 372,051,861	Mortgages payable
		–	89,787,921	89,787,921	Class B exchangeable units
Accounts payable and accrued liabilities	(b) (d)	13,134,151	512,076	13,646,227	Accounts payable and accrued liabilities
Below-market leases	(a)	7,494,276	(7,494,276)	–	
Distributions payable	(b) (d)	2,351,220	(512,075)	1,839,145	Distributions payable
		395,031,508	82,293,646	477,325,154	
Unitholders' equity	(a) (b) (c)	329,699,829	(70,398,753)	259,301,076	Unitholders' equity
		\$ 724,731,337	\$ 11,894,893	\$ 736,626,230	

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)
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23. Explanation of transition to IFRS (continued):

Reconciliation of comprehensive income for the three months ended June 30, 2010:

Canadian GAAP presentation	Note	Canadian GAAP	IFRS adjustments	IFRS	IFRS presentation
Revenue	(a) (d)	\$ 19,800,990	\$ (431,335)	\$ 19,369,655	Revenue from operations
Expenses:					
Property operating	(a) (c) (d)	5,368,077	3,105,481	8,473,558	Property operating expenses
Property taxes	(d)	2,708,080	(2,708,080)	–	
				10,896,097	Operating income
Mortgage and facility interest		4,296,796	–	4,296,796	Finance cost
Trust expenses		429,598	–	429,598	Trust expenses
Depreciation of income-producing properties	(a)	2,570,363	(2,570,363)	–	
Amortization of leasing costs	(a)	44,934	(44,934)	–	
Amortization of in-place leases and tenant relationship	(a)	3,535,261	(3,535,261)	–	
		18,953,109			
	(b)		(1,666,707)	6,169,703 (1,666,705)	Income before undernoted items Finance cost - Class B exchangeable unit distributions
	(b)		(6,587,306)	(6,587,306)	Finance cost - fair value adjustment of Class B exchangeable units
Net income (loss) and total comprehensive Income (loss)		\$ 847,881	\$ (2,932,189)	\$ (2,084,308)	Net loss and total comprehensive loss

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(Unaudited)

23. Explanation of transition to IFRS (continued):

Reconciliation of comprehensive income for the period from March 25, 2010 to June 30, 2010:

Canadian GAAP presentation	Note	Canadian GAAP	IFRS adjustments	IFRS	IFRS presentation
Revenue	(a) (d)	\$ 21,369,178	\$ (463,801)	\$ 20,905,377	Revenue from operations
Expenses:					
Property operating	(a) (c) (d)	5,815,882	3,359,945	9,175,827	Property operating expenses
Property taxes	(d)	2,933,185	(2,933,185)	–	
				11,729,550	Operating income
Mortgage and facility interest		4,632,772	–	4,632,772	Finance cost
Trust expenses		458,434	–	458,434	Trust expenses
Depreciation of income-producing properties	(a)	2,767,738	(2,767,738)	–	
Amortization of leasing costs	(a)	44,934	(44,934)	–	
Amortization of in-place leases and tenant relationship	(a)	3,806,851	(3,806,851)	–	
		20,459,796			
	(b)	–	(1,666,705)	6,638,344 (1,666,705)	Income before undernoted items Finance cost - Class B exchangeable unit distributions
	(b)	–	(8,912,238)	(8,912,238)	Finance cost - fair value adjustment of Class B exchangeable units
Net income (loss) and total comprehensive income (loss)		\$ 909,382	\$ (4,849,981)	\$ (3,940,599)	Net loss and total comprehensive loss

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(Unaudited)

23. Explanation of transition to IFRS (continued):

Reconciliation of comprehensive income for the period from March 25, 2010 to December 31, 2010:

Canadian GAAP presentation	Note	Canadian GAAP	IFRS adjustments	IFRS	IFRS presentation
Revenue	(a)(d)	\$ 64,973,645	\$ (1,505,832)	\$ 63,467,813	Revenue from operations
Expenses:					
Property operating	(a) (c) (d)	18,772,521	10,044,008	28,816,529	Property operating expenses
Property taxes	(d)	8,752,797	(8,752,797)	–	
				34,651,284	Operating income
Mortgage and facility interest		13,788,126	–	13,788,126	Finance cost
	(d)	–	(564,168)	(564,168)	Interest income
Trust expenses		1,820,159	–	1,820,159	Trust expenses
Depreciation of income-producing properties	(a)	8,110,978	(8,110,978)	–	
Amortization of leasing costs	(a)	333,558	(333,558)	–	
Amortization of in-place leases and tenant relationship	(a)	12,344,265	(12,344,265)	–	
		63,922,404			
	(b)		(4,762,167)	19,607,167	Income before undernoted items
	(b)		(13,083,309)	(4,762,167)	Finance cost - Class B exchangeable unit distributions
	(a)		833,242	(13,083,309)	Finance cost - Fair value adjustment of Class B exchangeable units
				833,242	Fair value adjustment of investment properties
Net income and total comprehensive income		\$ 1,051,241	\$ 1,543,692	\$ 2,594,933	Net income and total comprehensive income

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23. Explanation of transition to IFRS (continued):

Reconciliation of statement of cash flows from Canadian GAAP to IFRS:

Consistent with the REIT's accounting policy choice under IAS 7, Statement of Cash Flows, interest paid, interest received and income taxes paid have moved into the body of the statement of cash flows, whereas they were previously disclosed as supplementary information. There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous Canadian GAAP.

Notes to reconciliation:

IFRS 1 sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the standards are applied retrospectively with all adjustments to assets and liabilities taken to retained earnings unless certain optional exemptions are elected and mandatory exceptions are applied.

In preparing its first IFRS interim financial statements, the REIT has applied the mandatory exception from full retrospective application of IFRS for estimates. This mandatory exception requires that estimates made at the Transition Date, and in the comparative reporting periods, be consistent with estimates made under Canadian GAAP, unless either the estimates are adjusted to reflect a revised accounting policy or there is objective evidence that the estimates made under Canadian GAAP were in error. The REIT has, however, not elected any optional exemptions from the general requirement for retrospective application of IFRS.

(a) Investment properties:

Under IAS 40, Investment Properties, the REIT may elect subsequent to initial recognition to account for investment property using either the fair value model or the cost model. The REIT has elected the fair value model to account for its investment properties subsequent to initial recognition. Under the fair value model, investment properties are carried on the condensed consolidated interim balance sheets at fair value. The properties are not depreciated and changes in the fair value of the properties are recognized in income in the period in which they occur. Under Canadian GAAP, the REIT's income-producing properties and certain intangibles were carried on the condensed consolidated interim balance sheets at cost less accumulated depreciation and amortization.

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23. Explanation of transition to IFRS (continued):

The REIT commenced operations on March 25, 2010, and pursuant to the commencement of its operations, the REIT's investment properties were assessed to be at fair value by management. At the commencement of operations, the values assigned to investment properties under IFRS are the same as the total of the values assigned to income-producing properties and certain intangibles under Canadian GAAP.

As at June 30, 2010, the REIT has reclassified intangibles related to in-place leases (\$36,123,760), tenant relationships (\$23,696,827), above-market leases (\$4,306,668) and below-market leases (\$8,580,332) to investment properties.

As at December 31, 2010, the REIT has reclassified intangibles related to in-place leases (\$38,042,869), tenant relationships (\$24,706,517), above-market leases (\$5,136,438) and below-market leases (\$7,494,276) to investment properties.

As at June 30, 2010 and December 31, 2010, the REIT reclassified straight-line rents receivable from accounts receivable to investment properties to conform with the REIT's presentation under IFRS.

As at June 30, 2010 and December 31, 2010, the REIT reclassified \$299,508 and \$296,548, respectively, of furniture and equipment from income-producing properties to other assets to conform with the REIT's presentation under IFRS. During the three months ended June 30, 2010 and the periods from March 25, 2010 to June 30, 2010 and March 25, 2010 to December 31, 2010, the REIT eliminated depreciation and amortization of \$6,131,153, \$6,598,948 and \$20,725,386, respectively, recognized under Canadian GAAP, to conform to the fair value method under IFRS. In addition \$19,405, \$20,575 and \$63,415 of depreciation on furniture and equipment was reclassified to property operating expenses for the three months ended June 30, 2010 and the periods from March 25, 2010 to June 30, 2010 and March 25, 2010 to December 31, 2010, respectively.

During the three months ended June 30, 2010 and the periods from March 25, 2010 to June 30, 2010 and March 25, 2010 to December 31, 2010, the REIT eliminated the net amortization of \$431,335, \$463,801 and \$941,664, respectively, of above-market and below-market leases to reflect the elimination of the related intangibles under IFRS.

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23. Explanation of transition to IFRS (continued):

During the three months ended June 30, 2010 and the periods from March 25, 2010 to June 30, 2010 and March 25, 2010 to December 31, 2010, the REIT recognized fair value increase on investment properties of nil, nil and \$833,242, respectively.

The changes to unitholders' equity in the reconciliation of Canadian GAAP to IFRS reflect the elimination of accumulated depreciation on income-producing properties, recognized under Canadian GAAP, and the changes in the fair values of investment properties subsequent to initial recognition under IFRS. In addition, certain intangible assets disclosed separately under Canadian GAAP have been reclassified to investment properties under IFRS and are no longer amortized.

(b) Classification of Class B exchangeable units:

Under Canadian GAAP, the REIT's Class B exchangeable units are presented as equity on the consolidated balance sheet. However, under IFRS, the Class B exchangeable units are classified as a liability and measured at fair value. Changes in value are recognized in income in the period in which they arise and distributions on the Class B exchangeable units are recorded as finance cost rather than distributions.

Under IFRS, for the three months ended June 30, 2010 and the periods from March 25, 2010 to June 30, 2010 and March 25, 2010 to December 31, 2010, the REIT recognized: (i) a charge to income of \$6,587,306, \$8,912,238 and \$13,083,309, respectively, representing the increase in the fair value of the Class B exchangeable units; and (ii) \$1,666,705, \$1,666,705 and \$4,762,167, respectively, representing distributions to the Class B exchangeable units that is recorded as a finance cost.

As at June 30, 2010 and December 31, 2010, the carrying value of the Class B exchangeable units under Canadian GAAP of \$77,497,720 and \$76,807,460, respectively, was reclassified from unitholders' equity to a liability for Class B exchangeable units. Under IFRS, the carrying value of the Class B exchangeable units was adjusted to \$86,409,958 and \$89,787,921 as at June 30, 2010 and December 31, 2010, respectively, to reflect the fair value of the Class B exchangeable units.

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23. Explanation of transition to IFRS (continued):

Distributions payable of \$516,677 and \$512,075 were reclassified from distributions payable to accounts payable and accrued liabilities as at June 30, 2010 and December 31, 2010, respectively, to reflect the treatment of distributions on the Class B exchangeable units as a finance cost under IFRS.

(c) Internal leasing costs:

IAS 17, Leases, requires certain internal initial direct costs incurred by lessors in negotiating and arranging an operating lease previously capitalized and amortized on a straight-line basis over the term of the lease under Canadian GAAP to be expensed. As a result, the REIT has charged \$377,996, \$406,185 and \$1,227,796 of leasing costs to property operating expenses for the three months ended June 30, 2010 and the periods from March 25, 2010 to June 30, 2010 and March 25, 2010 to December 31, 2010, respectively.

As at June 30, 2010 and December 31, 2010, the REIT reclassified \$1,756,049 and \$6,501,046, respectively, of leasing costs, net of amounts charged to property operations expenses, to investment properties.

(d) Other reclassifications:

During the three months ended June 30, 2010 and the periods from March 25, 2010 to June 30, 2010 and March 25, 2010 to December 31, 2010, the REIT reclassified nil, nil and \$564,168, respectively, of interest income from revenue to interest income to conform with the REIT's presentation under IFRS.

During the three months ended June 30, 2010 and the periods from March 25, 2010 to June 30, 2010 and March 25, 2010 to December 31, 2010, the REIT reclassified \$2,708,080, \$2,933,185 and \$8,752,797, respectively, of property taxes from property taxes to property operating expenses to conform with the REIT's presentation under IFRS.

As at June 30, 2010, the REIT reclassified an amount due from a related party of \$13,214,016 to accounts receivable to conform with the REIT's presentation under IFRS.

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23. Explanation of transition to IFRS (continued):

As at June 30, 2010, the REIT reclassified \$20,996 from unitholders' equity to accounts payable and accrued liabilities to reflect the classification of unit-based compensation.

As at June 30, 2010, the REIT also reclassified amounts between income-producing properties, goodwill and intangible assets, due from related party, other assets, mortgage payable, accounts payable and accrued liabilities and below-market leases to reflect net retrospective adjustments to the purchase price allocation of the acquisition of the 45 commercial properties acquired at the time of the REIT's IPO.